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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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May 13, 2025

Board of Trustees
Putnam County Hospital
Putnam County, Indiana

We have reviewed the audit report of the Putnam County Hospital (Hospital), which was engaged to be audited by Blue and Co., LLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Report of Independent Auditor's*, the financial statements included in the report present fairly the financial condition of the Putnam County Hospital as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 39 through 41. Please refer to the Schedule of Findings and Questioned Costs for further details related to the findings. Management's Corrective Action Plan appears on pages 43 and 44.

In our opinion, Blue and Co., LLC prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

DECEMBER 31, 2022

CPAs / ADVISORS



PUTNAM COUNTY HOSPITAL

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Putnam County Hospital (the Hospital), a component unit of Putnam County, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2022, and the change in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* and early adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with US GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Required Supplementary Information

US GAAP requires that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2025 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
April 1, 2025

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

This section of Putnam County Hospital's (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance. This MD&A also includes the Hospital's blended component units, Putnam Post-Acute Holdings, LLC (PPAH), and Putnam County Pain Management Center, LLC. Please read it in conjunction with the Hospital's financial statements that follow this MD&A.

Financial Highlights

- The Hospital's total assets and deferred outflows decreased approximately \$14,527,000 or 18.1% during 2022. Total liabilities decreased \$5,346,000 or 14.7% during 2022. The Hospital's net position decreased \$9,181,000 or 20.8% in 2022.
- The Hospital added capital assets of approximately \$2,300,000 during 2022. Net additions/disposals combined with depreciation expense of \$2,855,000 resulted in net capital assets decreasing \$809,000 from 2021.
- The Hospital reported an operating loss of approximately \$10,029,000 for 2022, representing a change of \$3,667,000 in comparison to the 2021 operating loss of \$6,362,000. The change resulted from the volume and utilization where revenue increased \$4,432,000 while expenses increased \$8,099,000.
- The Hospital recognized nonoperating revenues, net of expenses in 2022 of approximately \$919,000. The primary decrease of \$16,788,000 was the result of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan grants of \$18,063,000 recognized during 2021 that did not occur in 2022.
- The adoption of Governmental Accounting Standards Board (GASB) guidance for leases and subscription-based information technology arrangements added intangible right-to-use assets, net of approximately \$452,000 and related liabilities of \$567,000 as of December 31, 2022. The impact of the adoption of the GASB guidance on previously reported 2021 net position was not significant.

Using This Annual Report

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of the Hospital. The statement of net position includes all of the Hospital's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). All of the current year revenue earned and expenses incurred are accounted for in the statement of revenues, expenses and changes in net position.

Finally, the purpose of the statement of cash flows is to provide information about the Hospital's cash flows from operating activities, non-capital financing activities, capital and related financing activities, including capital additions, and investing activities. This statement provides information on the sources and uses of cash and cash equivalents and the change in cash and cash equivalents balances during the year.

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Hospital's finances is, "Is the Hospital, as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's net position is the difference between assets and deferred outflows and liabilities and deferred inflows. It is one way to measure the Hospital's financial health, or financial position. Over time, changes in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Statements of Net Position

	2022	2021	Change
Assets			
Current assets	\$ 40,024,321	\$ 53,179,654	\$ (13,155,333)
Assets whose use is limited	881,986	1,243,553	(361,567)
Capital assets, net	23,934,917	24,743,590	(808,673)
Total assets	64,841,224	79,166,797	(14,325,573)
Deferred outflows	1,025,817	1,227,617	(201,800)
Total assets and deferred outflows	\$ 65,867,041	\$ 80,394,414	\$ (14,527,373)
Liabilities			
Current liabilities	\$ 20,976,727	\$ 25,129,623	\$ (4,152,896)
Long-term liabilities	10,023,985	11,217,521	(1,193,536)
Total liabilities	31,000,712	36,347,144	(5,346,432)
Net position			
Net investment in capital assets	12,588,976	12,080,007	508,969
Restricted	318,739	271,212	47,527
Unrestricted	21,958,614	31,696,051	(9,737,437)
Total net position	34,866,329	44,047,270	(9,180,941)
Total liabilities and net position	\$ 65,867,041	\$ 80,394,414	\$ (14,527,373)

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

Total assets and deferred outflows decreased approximately \$14,527,500 during 2022. The significant changes in the Hospital's assets were in current assets which decreased \$13,155,000 primarily related to cash and cash equivalents uses. Assets whose use is limited, capital assets, and other assets decreased \$1,170,000 in 2022. Total liabilities decreased \$5,346,000 in 2022 with decreases in accounts payable and the Medicare advanced/accelerated payment liability comprising the majority of the decrease. In addition, the Hospital's long-term debt and lease liabilities decreased \$1,318,000 mainly related to scheduled principal payments exceeding additions. Net position decreased \$9,181,000 from 2021 to 2022. The decrease relates primarily to unfavorable operations combined with less COVID-19 grant funds in 2022.

Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	Change
Operating revenues			
Patient service revenue	\$ 224,429,349	\$ 218,556,036	\$ 5,873,313
Rental income	223,993	171,722	52,271
Other operating revenue	1,381,860	2,875,205	(1,493,345)
Total operating revenues	226,035,202	221,602,963	4,432,239
Operating expenses			
Salaries, wages and benefits	33,207,979	30,213,576	2,994,403
Professional fees and contract services	160,710,246	156,074,064	4,636,182
Supplies	18,073,833	18,572,292	(498,459)
Depreciation and amortization	3,056,564	2,853,214	203,350
Other	21,015,191	20,251,968	763,223
Total operating expenses	236,063,813	227,965,114	8,098,699
Operating loss	(10,028,611)	(6,362,151)	(3,666,460)
Nonoperating revenues (expenses)	919,149	17,706,847	(16,787,698)
Revenues over (under) expenses	(9,109,462)	11,344,696	(20,454,158)
Other			
Distributions to non-controlling interest	(71,479)	(113,403)	41,924
Change in net position	(9,180,941)	11,231,293	(20,412,234)
Net position			
Beginning of year	44,047,270	32,815,977	11,231,293
End of year	\$ 34,866,329	\$ 44,047,270	\$ (9,180,941)

The Hospital's performance in 2022 produced an overall negative return on net position of 26.3% compared to prior year of positive return of 25.5%. The change in operations is the result of operating expenses increasing by approximately \$8,099,000 compared to an increase in operating revenues of \$4,432,000 for 2022 combined with a decrease in nonoperating revenues (expenses) of \$16,788,000.

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

Total operating revenue was comprised mainly of patient service revenue of approximately \$224,429,000. Other operating revenue and rental income are the other components of operating revenue.

Expenses increased by approximately \$8,099,000 between 2022 and 2021. Salaries, wages and benefits increased by \$2,994,000 mainly due to additional staffing. Professional fees and contract services increased by \$4,636,000 over 2021, mainly due to long-term care services.

Nonoperating revenues (expenses) for 2022 changed from net revenues of approximately \$17,707,000 to net revenues of \$919,000. The change of \$16,788,000 is primarily related to COVID-19 grants revenue recognized in 2021 which did not occur in 2022.

Statements of Cash Flows

Cash flows data	2022	2021	Change
From operating activities	\$ (10,597,489)	\$ (19,540,519)	\$ 8,943,030
From non-capital financing activities	1,329,755	10,520,591	(9,190,836)
From capital and related financing activities	(3,905,446)	(3,588,500)	(316,946)
From investing activities	59,628	64,647	(5,019)
Change in cash and cash equivalents	<u>\$ (13,113,552)</u>	<u>\$ (12,543,781)</u>	<u>\$ (569,771)</u>

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

Total cash and cash equivalents decreased approximately \$13,114,000 in 2022. Operating activities decreased cash and cash equivalents by \$10,598,000 during 2022 mainly from unfavorable operations and timing of operating assets and liabilities. Non-capital financing activities added \$1,330,000 in cash and cash equivalents due to COVID-19 grants. Capital and related financing decreased cash and cash equivalents by \$3,906,000 during 2022 mainly as the result of payments made on long-term debt combined with property and asset acquisitions. Investing activities increased cash and cash equivalents of \$60,000.

Total cash and cash equivalents decreased approximately \$12,544,000 in 2021. Operating activities decreased cash and cash equivalents by \$19,541,000 during 2021 mainly from unfavorable operations and timing of operating assets and liabilities. Non-capital financing activities increased \$10,521,000 in cash and cash equivalents. Capital and related financing decreased cash and cash equivalents by \$3,589,000 during 2021 mainly as the result capital asset purchases and payments on long-term debt and capital leases. Investing activities increased cash and cash equivalents \$65,000.

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022

Capital Assets

The change in capital assets is outlined as follows:

	2022	2021	Change
Non-depreciable capital assets	\$ 1,316,224	\$ 1,211,809	\$ 104,415
Depreciable capital assets	75,530,618	74,643,518	887,100
Intangible right-to-use assets	908,269	744,409	163,860
	77,755,111	76,599,736	1,155,375
Accumulated depreciation	(53,820,194)	(51,856,146)	(1,964,048)
Capital assets, net	<u>\$ 23,934,917</u>	<u>\$ 24,743,590</u>	<u>\$ (808,673)</u>

During 2022, the Hospital invested approximately \$2,300,000 in capital assets compared to \$1,870,000 in 2021. Depreciation was \$2,855,000 in 2022 compared to \$2,651,000 in 2021. Please refer to the notes to the financial statements for more detailed information on capital assets.

Debt and Lease Liability

Total long-term debt and lease liability (including current portions) decreased from approximately \$12,664,000 to \$11,346,000 in 2022. The primary reason for the decrease was scheduled principal payments made during the year offset by a new lease liability entered into during 2022. More detailed information about the Hospital's long-term debt and lease liability is presented in the notes to the financial statements.

Sources of Revenue

During 2022, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 63% and 65% of the Hospital's gross revenues in 2022 and 2021, respectively. The remaining payors include commercial and self-pay.

Economic Outlook

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting the Hospital is the increases in labor costs due to the increasing competition for quality health care workers. Uncompensated care is also a significant factor on the Hospital's margin.

PUTNAM COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022

Contacting Hospital Management

This financial report is designed to provide our citizens, taxpayers, patients, and other interested parties with a general overview of the Hospital's financial condition. If you have any questions about this report, you may contact the Hospital's Administrative offices at 1542 South Bloomington Street, Greencastle, Indiana 46135.

PUTNAM COUNTY HOSPITAL

STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS

Current assets

Cash and cash equivalents	\$ 23,123,574
Patient accounts receivable, net of allowance for uncollectible accounts of \$2,488,185	9,588,633
Inventory	627,589
Prepays and other current assets	5,084,525
Estimated third-party settlements	1,600,000
Total current assets	<u>40,024,321</u>

Assets whose use is limited

Held by trustee for debt service and capital	637,091
Internally designated	42,432
Donor restricted	202,463
Total assets whose use is limited	<u>881,986</u>

Capital assets, net

23,934,917

Total assets 64,841,224

Deferred outflows

Goodwill, net	<u>1,025,817</u>
Total assets and deferred outflows	<u>\$ 65,867,041</u>

LIABILITIES AND NET POSITION

Current liabilities

Current portion of long-term debt	\$ 1,076,106
Current portion of lease liability	245,850
Accounts payable	11,348,953
Accrued salaries, wages, and related liabilities	6,657,259
Accrued expenses and other current liabilities	1,648,559
Total current liabilities	<u>20,976,727</u>

Long-term debt, net of current portion

9,702,827

Long-term lease liability, net of current portion

321,158

Total liabilities 31,000,712

Net position

Net investment in capital assets	12,588,976
Restricted	
Non-expendable	116,276
Donor restricted - expendable	202,463
Total restricted	<u>318,739</u>
Unrestricted	<u>21,958,614</u>
Total net position	<u>34,866,329</u>
Total liabilities and net position	<u>\$ 65,867,041</u>

See accompanying notes to financial statements.

PUTNAM COUNTY HOSPITAL

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

Operating revenues	
Patient service revenue	\$ 224,429,349
Rental income	223,993
Other operating revenue	1,381,860
Total operating revenues	<u>226,035,202</u>
Operating expenses	
Salaries and wages	26,859,636
Employee benefits	6,348,343
Professional fees and contract services	160,710,246
Supplies	18,073,833
Insurance	775,569
Facility and equipment leases	12,918,999
Repairs and maintenance	824,364
Utilities	872,542
Training and education	149,324
HAF and HIP Programs	2,509,446
Depreciation and amortization	3,056,564
Other	2,964,947
Total operating expenses	<u>236,063,813</u>
Operating loss	(10,028,611)
Nonoperating revenues (expenses)	
Interest expense	(470,234)
Investment return	59,628
Contributions	4,000
Grant funds	1,101,162
Other	224,593
Total nonoperating revenues (expenses)	<u>919,149</u>
Expenses over revenues	(9,109,462)
Other	
Distributions to non-controlling interest	<u>(71,479)</u>
Change in net position	(9,180,941)
Net position	
Beginning of year	<u>44,047,270</u>
End of year	<u>\$ 34,866,329</u>

See accompanying notes to financial statements.

PUTNAM COUNTY HOSPITAL

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022

Operating activities

Cash received from patients and third-party payors	\$ 216,920,333
Cash paid for salaries, wages and benefits	(32,237,760)
Cash paid to vendors for goods and services	(196,885,915)
Other operating receipts, net	<u>1,605,853</u>
Net cash flows from operating activities	(10,597,489)

Non-capital financing activities

COVID-19 grant funds	1,101,162
Other non-capital financing activities	<u>228,593</u>
Net cash flows from non-capital financing activities	1,329,755

Capital and related financing activities

Distributions to non-controlling interest	(71,479)
Acquisition and construction of capital assets	(2,135,697)
Loss on disposal of capital assets	253,466
Payments on long-term debt	(1,205,361)
Payments on lease liabilities	(276,141)
Cash paid for interest	<u>(470,234)</u>
Net cash flows from capital and related financing activities	(3,905,446)

Investing activities

Investment return	<u>59,628</u>
Net change in cash and cash equivalents	(13,113,552)

Cash and cash equivalents

Beginning of year	<u>37,119,112</u>
End of year	<u><u>\$ 24,005,560</u></u>

Reconciliation of cash and cash equivalents to statement of net position

Cash and cash equivalents	
In current assets	\$ 23,123,574
In assets whose use is limited	<u>881,986</u>
Total cash and cash equivalents	<u><u>\$ 24,005,560</u></u>

See accompanying notes to financial statements.

PUTNAM COUNTY HOSPITAL

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

**Reconciliation of operating loss to net
cash flows from operating activities**

Operating loss	\$ (10,028,611)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	2,854,764
Amortization of goodwill	201,800
Provision for bad debts	6,060,189
Changes in operating assets and liabilities	
Patient accounts receivable	(5,914,867)
Inventory, prepaids and other current assets	(3,478,884)
Accounts payable	3,226,660
Accrued salaries, wages, and related liabilities	970,219
Accrued expenses and other current liabilities	656,133
Medicare accelerated/advance payments	(2,638,653)
Estimated third-party settlements	(2,506,239)
Net cash flows from operating activities	<u>\$ (10,597,489)</u>

Supplemental cash flows information - noncash activities

Right-to-use assets acquired through lease liability	\$ 163,860
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PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Putnam County Hospital (the Hospital) is a county facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient, physician and long-term health care services. The Board of County Commissioners of Putnam County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Putnam County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital. They do not purport to, and do not, present the financial position of the County as of December 31, 2022 and the changes in its financial position or its cash flows for the year then ended.

Accounting principles generally accepted in the United States require that these financial statements present the Hospital and its blended component units, collectively referred to as the "primary government." The blended component units, as discussed below, are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the primary government's operations and exist solely to provide services for the primary government; data from these units are with data of the primary government.

Components Units

The accompanying financial statements include the accounts of the Hospital's blended component units, Putnam Post-Acute Holdings, LLC (PPAH) and Putnam County Pain Management Center, LLC (PCPMC). The Hospital is the sole member of PPAH, a separate limited liability company which owns a 94-unit assisted living residence and a 127-bed skilled nursing facility in Howard County, Indiana. The Hospital is a majority owner (51%) of PCPMC, a separate for-profit entity, organized to support the operations of the Hospital by providing pain management services for the benefit of the greater Greencastle area and surrounding communities. All significant intercompany transactions have been eliminated in the financial statements. The separate financial statements for PPAH and PCPMC may be obtained through contacting management of the Hospital.

Long-Term Care Operations

The Hospital leases the operations of certain long-term care facilities, by way of arrangements with managers of these facilities, which provide inpatient and therapy services. Generally, gross revenues from the operation of the long-term care facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers are on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

The Hospital entered into lease agreements with the long-term care facilities to lease the facilities managed by the respective managers. Concurrently, the Hospital entered into agreements with the managers to manage the leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through 2026. Generally, all parties involved can terminate the agreements without cause with 90 days written notice. Rent expense for facilities and equipment under the long-term care leases was approximately \$12,919,000 for 2022. Annual rent expense through 2026 is scheduled to approximate \$13,000,000 under these leases.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of 90 days or less from the date of purchase. The Hospital maintains its cash in accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes it is not exposed to any significant credit risk on cash and cash equivalents.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report for hospital-based services is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party programs. These programs have audited the year-end cost report filed with the Medicare program through the year ended December 31, 2022 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports, if applicable, are reflected in estimated third-party payor settlements on the statement of net position. During 2022, the amount recognized in the statement of revenues, expenses and changes in net position due to the differences between original estimates and

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

subsequent revisions for the final settlement of cost reports was not significant. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy on a sliding scale on the basis of financial need. Because the Hospital does not pursue collection of approved charity care balances, the charges are not reflected in net revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net patient service revenue.

Of the Hospital's total expenses reported within the statement of revenues, expenses and changes in net position, an estimated \$567,000 arose from providing services to charity patients for 2022. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's expenses to patient service revenue.

Inventory

Inventory is valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method. Inventory consists of medical supplies and pharmaceuticals.

Other Current Assets

Other current assets consist primarily of other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized during the next fiscal year.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital's Board of Trustees for internal purposes, investments held by trustees for debt service and capital improvements and assets that are donor restricted.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

These investments consist of cash and cash equivalents. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the statement of revenues, expenses and changes in net position.

Capital Assets and Depreciation

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported at historical cost. Contributed or donated assets are reported at estimated fair value at the time received. The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is determined by the Hospital based on individual asset cost and aggregate cost of similar assets. Depreciation is calculated on the straight-line method over the estimated useful lives of capital assets which range from 3-40 years. For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is expensed as incurred and not capitalized.

Business Combinations and Deferred Outflows for Goodwill

The Hospital accounts for a business combination using the acquisition method of accounting, and accordingly, the assets of the acquired entity are recorded at estimated fair values at the date of acquisition. Deferred outflows for goodwill represent the excess of the purchase price over the fair value of assets, including amounts assigned to identifiable intangible assets, if any. Goodwill is amortized on a straight-line basis over a period of 10 years. As of December 31, 2022, the Hospital recorded goodwill of approximately \$2,018,000 related to its acquisition activities with accumulated amortization of \$992,000. Annual amortization is estimated at \$202,000 for 2023 through 2027 and \$16,000 in 2028.

Net Position

The net position of the Hospital is classified into four components. (1) Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted non-expendable net position includes the principal portion of permanent endowments, if any, and non-controlling interests owned by external investors. (3) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributions external to the Hospital. (4) Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. Restricted non-expendable net position includes non-controlling interest, which represents the portion of net position that is owned by the investors who are external to and not included in the financial statements of approximately \$116,000 as of December 31, 2022. This relates to the Hospital's blended component unit, PCPMC, in which external investors have a minority, non-controlling financial interest.

PUTNAM COUNTY HOSPITAL

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The total net position activity for the controlling and non-controlling portions related to PCPMC for 2022 follows:

	Controlling interest	Noncontrolling interest	Total
Balance, beginning of year	\$ 71,555	\$ 68,749	\$ 140,304
Distributions	(74,396)	(71,479)	(145,875)
Net income	123,864	119,006	242,870
Balance, end of year	<u>\$ 121,023</u>	<u>\$ 116,276</u>	<u>\$ 237,299</u>

Restricted Resources

The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses and Changes in Net Position

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonoperating revenues include contributions received for purposes other than capital asset acquisition, grants, and other nonoperating activities and are reported as nonoperating revenues or expenses. Operating expenses are generally all expenses incurred to provide health care services, other than interest costs.

Grants and Contributions

The Hospital receives contributions and grants from individuals, federal and state agencies and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts, if any, restricted to capital acquisitions are reported as nonoperating revenues and expenses.

Advertising and Community Relations

The Hospital expenses advertising and community relations costs as they are incurred. Total expense for 2022 was approximately \$312,000.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused vacation is reported as a liability within the accrued salaries, wages, and related liabilities on the statement of net position.

PUTNAM COUNTY HOSPITAL

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Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes and, accordingly, is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC). As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

As a single member limited liability company with the Hospital as the only member, PPAH is treated as a disregarded entity and does not file federal and state income tax returns. PPAH's activity is included in the Hospital's activities as required for a disregarded entity. PCPMC is a limited liability company and profits and losses are passed through to the members. PCPMC has filed its federal and state income tax returns for periods through December 31, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and its component units and recognize a tax liability if the Hospital or its component units have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and its component units and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Medical Malpractice

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for general liability and employee medical claims.

Litigation

The Hospital is involved in litigation arising in the normal course of business. After consultation with the Hospital's legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position, results from operations, and cash flows.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was April 1, 2025.

2. CHANGE IN ACCOUNTING PRINCIPLES

In 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* (GASB 87), which requires all leases that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, leases classified as operating leases were not recorded in the statement of net position. As the lessee, the Hospital recognized an intangible right-to-use asset and a corresponding lease liability for qualifying leases.

In 2022, the Hospital early adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96), which requires SBITAs that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs classified as expense were not recorded in the statement of net position. The adoption of GASB 96 was not significant to the financial statements.

Both GASB 87 and GASB 96 were applied retrospectively. The impact on previously reported net position in the financial statements was not significant. Depreciable capital assets acquired under capital leases of approximately \$526,000 and the associated long-term debt of \$679,000 included in the statement of net position as of December 31, 2021 and prior to the adoption of GASB 87 were reclassified to intangible right-to-use assets as leased equipment and lease liability as part of the adoption of GASB 87. There was no impact on previously reported net position for this reclassification.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

3. PATIENT ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses included as current assets and liabilities consisted of the following as of December 31, 2022:

Patient accounts receivable	
Receivable from patients and third party payors	\$ 6,384,465
Receivable from Medicare	4,295,493
Receivable from Medicaid	1,541,972
Receivable from long-term care operations	<u>5,006,510</u>
Total patient accounts receivable	17,228,440
Contractual allowances	(5,151,622)
Allowance for uncollectible accounts	<u>(2,488,185)</u>
Patient accounts receivable, net	<u>\$ 9,588,633</u>
Accounts payable and other accrued liabilities	
Payable to suppliers and other accrued expenses	\$ 12,997,512
Payable to employees (including payroll taxes and benefits)	<u>6,657,259</u>
Total accounts payable and other accrued liabilities	<u>\$ 19,654,771</u>

4. ASSETS WHOSE USE IS LIMITED

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Deposit Insurance Hospital or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Assets whose use is limited include:

Held by trustee for debt service and capital – Amounts deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for debt service and capital.

Internally designated – Amounts designated internally for various special purpose projects.

Donor restricted – Amounts restricted by donors which include expendable amounts based on donor stipulations.

The composition of assets whose use is limited as of December 31, 2022 follows:

Cash and cash equivalents	
Held by trustee	\$ 637,091
Internally designated	42,432
Donor restricted	<u>202,463</u>
	<u>\$ 881,986</u>

PUTNAM COUNTY HOSPITAL

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5. CAPITAL ASSETS

The following is a progression of capital assets for 2022.

	December 31, 2021	Additions	Disposals	Transfers	December 31, 2022
Non-depreciable capital assets					
Land	\$ 1,190,500	\$ -0-	\$ -0-	\$ -0-	\$ 1,190,500
Construction in progress	21,309	104,415	-0-	-0-	125,724
Total non-depreciable capital assets	1,211,809	104,415	-0-	-0-	1,316,224
Depreciable capital assets					
Land improvements	430,419	-0-	-0-	-0-	430,419
Buildings and improvements	44,816,401	540,889	(235,278)	-0-	45,122,012
Equipment	29,396,698	1,490,393	(908,904)	-0-	29,978,187
Total depreciable capital assets	74,643,518	2,031,282	(1,144,182)	-0-	75,530,618
Accumulated depreciation					
Land improvements	(338,443)	(11,783)	-0-	-0-	(350,226)
Buildings and improvements	(26,647,867)	(1,319,811)	209,233	-0-	(27,758,445)
Equipment	(24,651,055)	(1,285,643)	681,483	-0-	(25,255,215)
Total accumulated depreciation	(51,637,365)	(2,617,237)	890,716	-0-	(53,363,886)
Total depreciable capital assets, net	23,006,153	(585,955)	(253,466)	-0-	22,166,732
Intangible right-to-use assets					
Leased equipment	744,409	163,860	-0-	-0-	908,269
Total intangible right-to-use assets	744,409	163,860	-0-	-0-	908,269
Accumulated amortization					
Leased equipment	(218,781)	(237,527)	-0-	-0-	(456,308)
Total accumulated amortization	(218,781)	(237,527)	-0-	-0-	(456,308)
Total intangible right-to-use assets, net	525,628	(73,667)	-0-	-0-	451,961
Total capital assets, net	\$ 24,743,590	\$ (555,207)	\$ (253,466)	\$ -0-	\$ 23,934,917

As of December 31, 2022, there were no significant commitments for capital assets.

Intangible right-to-use assets

Leased equipment

In 2022, the Hospital adopted the guidance in GASB 87 and recognized the value of equipment leased under long-term contracts. As of December 31, 2022, the Hospital had various lease agreements in place for equipment. The values of the equipment intangible right-to-use assets are amortized straight-line over the lease terms including renewable periods the Hospital is reasonably certain to exercise. The amortization periods conclude at various times from through 2025. The terms of the lease agreements are addressed in Note 7.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. LONG-TERM DEBT

Long-term debt as of December 31, 2022 is as follows:

Direct borrowings

Note payable #34199, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of \$38,000; secured by property and equipment with a net book value of \$1,800,000 as of December 31, 2022	\$ 1,086,615
Note payable #33860, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of \$35,000; secured by property and equipment with a net book value of \$2,100,000 as of December 31, 2022	987,831
Note payable #41806, due November 2035; fixed interest rate (4.25%), monthly principal and interest payments due in the amount of \$12,000; secured by property and equipment with a net book value of \$1,400,000 as of December 31, 2022	1,432,912
Mortgage note payable (project 073-22316) due September 2053; fixed interest rate (4.40%); monthly principal and interest payments due of \$31,000; secured by property and equipment with a net book value of \$6,149,000 as of December 31, 2022	6,024,606
Note payable #53942, due October 2035; fixed interest rate (3.88%), monthly principal and interest payments due in the amount of \$3,500 with a balloon payment of \$189,000 due October 2035; secured by property and equipment with a net book value of \$560,000 as of December 31, 2022	537,735
Note payable #49973, due January 2033; fixed interest rate (4.15%), monthly principal and interest payments due in the amount of \$13,000; secured by property and equipment with a net book value of \$730,000 as of December 31, 2022	<u>709,234</u>
Total direct borrowings	10,778,933
Current portion	<u>(1,076,106)</u>
	<u>\$ 9,702,827</u>

The interest rates for notes payable #34199 and #33860 are reset every 60 months at prime plus 25 basis points with a floor of 3.95% and a ceiling of 7.00%. The interest rates cannot change more than 2% from the previous reset period. The most current rate reset for both notes payable was in June 2020 at 3.95% through June 2025.

PUTNAM COUNTY HOSPITAL

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The interest rate for note payable #41806 was amended in April 2016 to state a fixed interest rate of 4.25% through maturity date in November 2035. The mortgage note payable, held by PPAH, is HUD-insured Section 232 pursuant to Section 223(f). It was issued in August 2018 and is payable to Lument Capital, LLC.

Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	Direct Borrowings		
	Principal	Interest	Total
2023	\$ 1,076,106	\$ 436,494	\$ 1,384,811
2024	1,114,529	393,640	1,508,169
2025	708,675	352,081	1,060,756
2026	298,811	334,994	633,805
2027	310,315	323,204	633,519
2028 - 2032	1,717,202	1,448,063	3,165,265
2033 - 2037	1,462,800	1,129,871	2,592,671
2038 - 2042	958,399	913,781	1,872,180
2043 - 2047	1,193,758	678,422	1,872,180
2048 - 2052	1,486,916	385,264	1,872,180
2053	451,422	61,527	512,949
	\$ 10,778,933	\$ 6,457,341	\$ 17,108,485

The following is a progression of long-term debt direct borrowings and capital lease obligations for 2022.

	December 31,			December 31,	Current
	2021	Additions	Payments	2022	Portion
Direct borrowings					
Notes payable	\$ 11,984,294	\$ -0-	\$ (1,205,361)	\$ 10,778,933	\$ 1,076,106

7. LEASES

In 2022, the Hospital adopted the guidance in GASB 87 for accounting and reporting leases that had previously been reported as operating leases. Under GASB 87, the Hospital recognized intangible right-to-use lease assets and corresponding lease liabilities in the financial statements.

At implementation of GASB 87 and the commencement of leases beginning after January 1, 2022, the Hospital initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability was reduced by the principal portion of payments made. The intangible right-to-use asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the intangible right-to-use asset is amortized on a straight-line basis over its useful life.

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Key estimates and judgments related to leases include how the Hospital determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Hospital is reasonably certain to exercise. The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

GASB 87 as Lessor

As lessor, the Hospital leases space to physicians and other medical providers on its main campus and at other ancillary locations. The lease agreements are generally short-term monthly agreements. During 2022, the Hospital recognized approximately \$224,000 in revenue related to these leases. During 2023, the Hospital expects to recognize \$225,000 annually in revenue related to these leases. In applying GASB 87, these lessor agreements were not considered significant to the Hospital's financial statements.

GASB 87 as Lessee

The Hospital has lease obligations for equipment that expire at various dates through June 2025 with monthly interest and principal payments ranging from approximately \$500 to \$15,000. The discount rate is based on the implicit rate in the lease agreement if available. If not available, the Hospital's incremental borrowing rate is used as the discount rate. The discount rates range from 2.00% to 3.98%.

The progression for lease liability for 2022 is as follows:

	December 31, 2021	Additions	Payments	December 31, 2022	Current Portion
Right-to-use lease liability	\$ 679,289	\$ 163,860	\$ (276,141)	\$ 567,008	\$ 245,850

There were no remeasurements for lease liabilities during 2022.

Scheduled principal and interest payments on lease liabilities for the years succeeding December 31, 2022 are as follows:

Year Ending December 31,	Principal	Interest	Total Payments
2023	\$ 245,850	\$ 22,627	\$ 268,477
2024	284,232	11,244	295,476
2025	36,926	316	37,242
	\$ 567,008	\$ 34,187	\$ 601,195

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

8. PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and the Indiana Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP Programs expense reported in the statement of revenues, expenses and changes in net position. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Hospitals also fund the Healthy Indiana Plan (HIP), the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program but the funding includes physician, state administration, and certain non-hospital expenditures. During 2022, the Hospital recognized HAF and HIP Programs expense of approximately \$2,509,000, which resulted in increased Medicaid reimbursement. The HAF and HIP assessments are included in the statement of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the statement of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including the Medicaid DSH program. The Hospital recognized reimbursement from this program within net patient service revenue of approximately \$1,092,000 during 2022. This program is administered by the State of Indiana, but relies on Federal funding.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The following is a summary of patient service revenue for 2022:

Inpatient services	\$ 33,563,638
Outpatient services	64,573,037
Emergency room services	41,864,423
Long-term care services	<u>332,276,219</u>
Gross patient service revenue	472,277,317
Contractual allowances	(241,071,542)
Charity care	(716,237)
Provision for bad debts	<u>(6,060,189)</u>
Deductions from revenue	<u>(247,847,968)</u>
Patient service revenue	<u>\$ 224,429,349</u>

9. EMPLOYEE HEALTH BENEFITS

The Hospital is self-insured for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of a stated threshold per individual per policy year, with an estimated minimum attachment point where stop loss coverage is phased in when this threshold is reached. The individual and aggregate stop/loss policy covers only health claims incurred by providers other than the Hospital. In-house claims are not covered under the individual and aggregate stop/loss. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. Total health insurance expense for 2022 was approximately \$3,870,000. Changes in the balance of claim liabilities during 2022 are as follows:

Unpaid claims	
Beginning of year	\$ 341,000
Incurred claims and changes in estimates	3,869,952
Claim payments	<u>(3,888,952)</u>
End of year	<u>\$ 322,000</u>

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

10. PENSION PLANS

The Hospital offers three pension plans to eligible employees, the Putnam County Hospital Money Purchase Pension Trust (401a Plan), the Putnam County Hospital Retirement Plan (403b Plan) and the Putnam County Hospital 457 Plan (457 Plan), collectively referred to as "the Plans". The Plans provide retirement, disability and death benefits to their participants and beneficiaries. The Plans were established by written agreements between the Hospital's Board of Trustees and the administrator of the Plans, Lincoln Financial Group (Lincoln). Information can be obtained for the Plans by contacting Lincoln.

The 401a Plan is funded through only Hospital contributions as employee contributions are not permitted. The Hospital funds the 401a Plan at 4% of eligible compensation as defined by the 401a Plan's document. Expense related to the 401a Plan for 2022 was approximately \$507,000, net of forfeitures. Employees are eligible to participate in the 401a Plan after completing one year of service as defined by the 401a Plan document with enrollment dates of January 1 and July 1. Vesting begins after 3 years of participation at 20% and increases 20% annually until fully vested at 7 years.

The 403b and 457 Plans are funded by employee only contributions. Therefore, the participants are fully vested at all times in their balances.

11. CONCENTRATIONS OF CREDIT RISK

The Hospital is primarily located in Green Castle, Indiana and grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable and gross patient revenues from self-pay and third party payors as of and for the year ended December 31, 2022 was as follows:

	<u>Receivables</u>	<u>Revenue</u>
Medicare	39%	47%
Medicaid	14%	16%
Commercial and other payors	23%	35%
Self-pay payors	24%	2%
	<u>100%</u>	<u>100%</u>

12. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended components units, PPAH and PCPMC. The financial statements for PPAH are separately audited to comply with the U.S. Department of Housing and Urban Development (HUD) program under Section 232 pursuant to Section 223(f) – Mortgage Insurance for Nursing Homes, Intermediate Care Facilities, Board & Care Homes and Assisted-Living Facilities. More detailed financial information for PPAH and PCPMC may be obtained through contacting the accounting department of the Hospital.

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Below is condensed financial information for these entities for 2022.

	PPAH	PCPMC
	<u> </u>	<u> </u>
Statement of net position		
Assets		
Cash	\$ 517,078	\$ 100,955
Accounts receivable, net	-0-	248,450
Due from Hospital	-0-	2,159,206
Other assets	668,823	456
Capital assets, net	6,165,192	-0-
Total assets	<u>7,351,093</u>	<u>2,509,067</u>
Deferred outflows	1,025,817	-0-
Total assets and deferred outflows	<u>\$ 8,376,910</u>	<u>\$ 2,509,067</u>
Liabilities		
Accounts payable	\$ 62,294	\$ 10,947
Due to Hospital	-0-	2,260,821
Long-term debt	6,024,606	-0-
Total liabilities	<u>6,086,900</u>	<u>2,271,768</u>
Net position	<u>2,290,010</u>	<u>237,299</u>
Total liabilities and net position	<u>\$ 8,376,910</u>	<u>\$ 2,509,067</u>
 Statement of revenues, expenses and changes in net position		
Revenues		
Patient service revenue	\$ -0-	\$ 659,358
Rental income from Hospital	705,774	-0-
Total revenues	<u>705,774</u>	<u>659,358</u>
Expenses		
Salaries and wages	-0-	220,700
Depreciation and amortization	600,660	-0-
Other	182,107	195,788
Total expenses	<u>782,767</u>	<u>416,488</u>
Operating income (loss)	(76,993)	242,870
Nonoperating items and distributions	<u>(252,031)</u>	<u>(145,875)</u>
Change in net position	(329,024)	96,995
Net position		
Beginning of year	<u>2,619,034</u>	<u>140,304</u>
End of year	<u>\$ 2,290,010</u>	<u>\$ 237,299</u>

PUTNAM COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

	PPAH	PCPMC
Statement of cash flows		
Net cash flows from		
Operating activities	\$ 426,044	\$ 145,875
Capital and related financing activities	(185,750)	(145,875)
Change in cash and cash equivalents	240,294	-0-
Cash		
Beginning of year	276,784	100,955
End of year	\$ 517,078	\$ 100,955

13. COVID-19 GRANTS

Provider Relief Funds (PRF) authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan (ARP) were distributed to healthcare providers impacted by the Coronavirus (COVID-19) pandemic. Prior to 2022, the Hospital received approximately \$20,144,000 in PRF from CARES and ARP. PRF amounts received were recognized as grant revenue prior to 2022 to the extent the Hospital met the terms and conditions related to COVID-19 expenses and lost revenues as outlined by the federal grantor guidelines. The Hospital did not receive PRF amounts during 2022 and did not recognize any revenue from PRF during 2022.

The CARES Act also allowed health care providers to request accelerated and advance payments for Medicare services which the Hospital received approximately \$10,731,000 from this provision of CARES prior to 2022. Repayments on the Medicare accelerated and advance payments began during 2021 and were repaid in full by the Hospital as of December 31, 2022.



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Putnam County Hospital (the Hospital), which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Hospital's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Blue & Co., LLC

Indianapolis, Indiana
April 1, 2025



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Putnam County Hospital's (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Uniform Guidance* and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2022 and have issued our report thereon dated April 1, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
April 1, 2025

PUTNAM COUNTY HOSPITAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/ Pass-through / Program Title	Grant ID #	Assistance Listing #	Federal Expenditures
Major programs			
US Department of Health and Human Services (DHHS) COVID-19 Provider Relief Fund and American Rescue Plan	N/A	93.498	\$ 5,711,656
Federal Communications Commission COVID-19 Telehealth Program	GRA0010552	32.006	754,750
Total major programs			6,466,406
Non-major programs			
DHHS - Indiana Hospital Association Rural Health Research Centers	N/A	93.155	252,916
DHHS - Putnam County Health Department COVID-19 Testing and Mitigation for Rural Health Clinics	45626	93.323	52,842
DHHS - Health Resources and Services Administration Rural Health Clinic	G2943438	93.912	40,654
Total non-major programs			346,412
Total federal expenditures			\$ 6,812,818

See Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance* on page 36.
See notes to schedule of expenditures of federal awards.

PUTNAM COUNTY HOSPITAL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) for 2022 includes the federal grant activity of Putnam County Hospital (the Hospital) and is presented on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The basic financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. SUBRECIPIENT PASS-THROUGH

No entities received pass-through federal awards from the Hospital during 2022.

4. PROVIDER RELIEF FUNDS

During the COVID-19 pandemic, the Hospital received Provider Relief Funds (PRF) grants from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP). Under terms and conditions of CARES and ARP, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS requires the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received. The following is a summary of PRF received, recognized as revenue and reported on the SEFA for COVID-19 Funding under Assistance Listing #93.498:

Year	PRF		Reported on SEFA
	Received	Recognized	
2020	\$ 14,560,000	\$ 11,348,000	\$ -0-
2021	5,584,000	8,796,000	14,432,000
2022	-0-	-0-	5,712,000
	<u>\$ 20,144,000</u>	<u>\$ 20,144,000</u>	<u>\$ 20,144,000</u>

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2022, the Hospital did not receive donated personal protective equipment from federal sources.

PUTNAM COUNTY HOSPITAL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none noted
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal controls over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none noted
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Identification of major programs		
COVID-19 Provider Relief Fund - Assistance Listing #93.498		
COVID-19 Telehealth Program - Assistance Listing #32.006		
Dollar threshold used to distinguish between type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

2022-001 – Material weakness related to financial reporting for long-term care activities

Subject: Financial Reporting Audit Finding: Material Weakness
--

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – Review was not consistently applied to ensure financial reporting for long-term care activities were properly and timely reported in the financial statements.

PUTNAM COUNTY HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2022

Context – A strong internal control environment requires an understanding and application of accounting principles generally accepted in the United States of America and oversight to ensure financial transactions are properly and timely reported in the financial statements.

Effect – Potential material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected and corrected in a timely manner.

Cause – The cause of this deficiency relates to application of controls and review processes to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements

Recommendation – We recommend management apply consistent controls to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements.

Views of Responsible Officials and Planned Corrective Actions – The Hospital is implementing procedures and controls to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements.

Section III - Findings and questioned costs relating to Federal awards:

2022-002 – Other Matters - Submission of Single Audit reporting package

<p>Subject: Single Audit Reporting Package Federal Agency: Department of Health and Human Services Federal Program: COVID-19 Provider Relief Fund and American Rescue Plan Assistance Listing #93.498 Federal Award # and Year: N/A Compliance Requirement: Reporting Audit Finding: Other Matters</p>
--

Criteria – The Single Audit reporting package is due to the Federal Audit Clearinghouse within nine months after year end as stated in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F, Section 200.512(a)(1).

Condition – The Single Audit reporting package was not submitted within this timeframe.

Questioned costs - \$-0-

Context – Single Audit requirements direct the grant recipient to comply with the filing requisites.

Effect - The Single Audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe which resulted in an instance of noncompliance.

Cause – Due to delays in completing the financial statement audit, the Single Audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe.

PUTNAM COUNTY HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2022

Recommendation – We recommend the Hospital file the Single Audit reporting package with the Federal Audit Clearinghouse.

Views of Responsible Officials and Planned Corrective Actions – Management understands the due date for Single Audit reporting package submission to the Federal Audit Clearinghouse and will file the Single Audit reporting package as soon as possible.

2022-003 – Significant deficiency related to timely preparation of Schedule of Expenditures of Federal Awards

<p>Subject: Reporting Federal Agency: Department of Health and Human Services Federal Program: COVID-19 Provider Relief Fund and American Rescue Plan Assistance Listing #93.498 Federal Award # and Year: N/A Compliance Requirement: Reporting Audit Finding: Significant Deficiency</p>
--

Criteria – The preparation of the Schedule of Expenditures of Federal Awards (SEFA) is necessary to satisfy the reporting requirements for federal programs identified as major programs.

Condition – The SEFA was not prepared on a timely basis.

Questioned costs - \$-0-

Context – The timely preparation of the SEFA is necessary to satisfy reporting requirements related to federal programs identified as major programs.

Effect - The SEFA was not prepared on a timely basis resulting in delays in completing reporting requirements for federal programs identified as major programs.

Cause – Due to delays in completing the financial statement audit, the SEFA was not completed on a timely basis.

Recommendation – We recommend the Hospital complete the SEFA on a timely basis to assist with the reporting requirements for federal programs identified as major programs.

Views of Responsible Officials and Planned Corrective Actions – Management has implemented internal controls over compliance in place to assist with the timely preparation of the SEFA.

Section IV - Summary schedule of prior audit findings:

2021-001 – Material weakness related to financial reporting for long-term care activities.

Condition – Review was not consistently applied to ensure financial reporting for long-term care activities was properly and timely reported in the financial statements.

PUTNAM COUNTY HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Recommendation – The auditor recommended management apply consistent controls to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements.

Current status – A similar finding was noted during the 2022 audit.

2021-002 – Other Matters - Submission of Single Audit reporting package

Condition – The Single Audit reporting package was not submitted within this timeframe.

Recommendation – The auditor recommended the Hospital file the Single Audit reporting package with the Federal Audit Clearinghouse.

Current status – A similar finding was noted during the 2022 audit.

2021-003 – Significant deficiency related to timely preparation of Schedule of Expenditures of Federal Awards

Condition – The SEFA was not prepared on a timely basis.

Recommendation – The auditor recommended the Hospital complete the SEFA on a timely basis to assist with the reporting requirements for federal programs identified as major programs.

Current status – A similar finding was noted during the 2022 audit.



Putnam County Hospital

CORRECTIVE ACTION PLAN YEAR ENDED DECEMBER 31, 2022

Putnam County Hospital (the Association) respectfully submits the following corrective action plan for the year ended December 31, 2022.

Name and address of independent public accounting firm:

Blue & Co., LLC
500 N. Meridian Street, Suite 200
Indianapolis, Indiana 46204

Audit period – Year Ended December 31, 2022

The findings from the 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2022-001 – Financial reporting for long-term care activities

Recommendation: The auditor recommended management apply consistent controls to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements.

Corrective action: The Hospital implemented procedures and controls to ensure financial transactions related to long-term care activities are properly and timely reported in the financial statements.

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

2022-002 – Other Matters - Submission of Single Audit reporting package

Recommendation: The auditor recommended the Hospital file the single audit reporting package with the Federal Audit Clearinghouse.

Corrective action: Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and filed the 2022 single audit reporting package in 2025.

2022-003 – Significant deficiency related to timely preparation of Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: The auditor recommended the Hospital complete the SEFA on a timely basis to assist with the reporting requirements for federal programs identified as major programs.

Corrective action: Management has implemented internal controls over compliance in place to assist with the timely preparation of the SEFA.

* * * * *

If there are any questions regarding this plan, please contact Alan Nerone, Chief Financial Officer at 765-301-7532.